

Message Text

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ACTION OPIC-06

INFO OCT-01 AF-10 EUR-12 NEA-10 ISO-00 SP-02 USIA-06
AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01
CEA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 LAB-04 SIL-01 PA-01 /110 W
-----012107 240655Z /21

R 240632Z FEB 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 5925
INFO AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY LONDON

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FOR OPIC - FROM BAZARIAN

E.O. 11652: N/A
TAGS: EINV, EG
SUBJ: OPIC TRIP REPORT: BAZARIAN TRIP TO LONDON AND CAIRO

1. LONDON: ON FEB 6-7, OPIC REP WAS BRIEFED BY ECGD REPRESENTATIVES DAWSON, WILLIS, AND PRYOR ON THE INVESTMENT CONSTRUCTION, AND BANK GUARANTEE PROGRAMS. METTING WAS ALSO HELD AT SAUDI INTERNATIONAL BANK (SIB), A JOINT-VENTURE BANK PREDOMINANTLY OWNED BY THE SAUDI ARABIAN MINISTRY OF FINANCE (50 PER CENT) AND MORGAN GUARANTY (25 PER CENT). EDGAR FELTON, SIB EXECUTIVE DIRECTOR, STATED THAT BANK IS VERY LIQUID, IS ACTIVELY SEEKING PROJECT FINANCING OPPORTUNITIES IN MIDDLE EAST AND NORTH AFRICA, AND HAS CONSIDERED SEVERAL PROJECTS IN EGYPT. SIB IS POTENTIAL SOURCE OF FUNDS ON THE \$2 MILLION INSURANCE REQUEST BY MORGAN EQUIPMENT CO. ON ITS LOAN GUARANTY FOR A PROJECT IN SAUDI ARABIA. FELTON WOULD BE MOST WILLING TO CONSIDER FINANCING OTHER PROJECTS WHICH
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COULD BE GENERATED BY OPIC INSURANCE OR FINANCE DEPARTMENTS.

2. CAIRO: FEB 9-15. FEB 9 MEETING WITH GAMAL EL NAZER, DEPUTY CHAIRMAN OF INVESTMENT AUTHORITY, RESULTED IN AN INVITATION TO ATTEND AUTHORITY'S THEN UPCOMING CONFERENCE TO REVIEW PROGRESS IN ATTRACTING FOREIGN INVESTMENT UNDER LAW 43. EL NAZER APPEARED BE ENCOURAGED BY THE EXTENT OF

OPIC'S PAST INSURANCE ACTIVITY AND PENDING APPLICATIONS FOR EGYPT. CONFERENCE, WHICH TOOK PLACE FEBRUARY 14, PROVIDED USEFUL FORUM FOR DISCUSSION BETWEEN INVESTORS AND GOE OFFICIALS. AFTER GENERAL SESSION, PARTICIPANTS FORMED WORKING GROUPS ON A VARIETY OF SUBJECTS, E.G. BANKING, INDUSTRY, TAXATION, ETC. CONFERENCE RESOLUTIONS HAVE BEEN FORWARDED BY EMBASSY TO DEPARTMENT OF STATE.

3. OPIC REP HAD MEETING WITH JOHN GOODRIDGE, CITIBANK VP AND REP FOR EGYPT AND SUDAN. HE WAS INTERESTED IN UTILIZING LENDER'S CONTRACT FOR TERM LENDING IN EGYPT AND SUDAN. GOODRIDGE ARRANGED A FOLLOW-ON MEETING WITH THOMAS DUNTON, OF CITIBANK'S CAIRO BRANCH. DUNTON ASKED ABOUT EXTENT OF OPIC'S LIABILITY IF A GOE GUARANTEE WERE PROVIDED AS ADDITIONAL SECURITY ON A LOAN. OPIC OFFICER DESCRIBED PARAMETERS OF LIABILITY BY UTILIZING AS AN EXAMPLE THE HARTFORD NATIONAL BANK LOAN IN SUDAN. OPIC OFFICER REMINDED DUNTON THAT OPIC WOULD CONSIDER EXTENDING ITS LIABILITY ON LOANS WITH A GOVERNMENT GUARANTEE ONLY ON A CASE-BY-CASE BASIS. DUNTON ALSO RAISED QUESTION OF STATUS OF OPIC'S REQUIREMENTS VIS-A-VIS THE RECENTLY-ENACTED BOYCOTT GUIDELINES. CITIBANK IS ANXIOUS TO SIGN OPIC INSURANCE CONTRACT FOR LOAN TO ARAB ALUMINUM COMPANY, IF OPIC'S BOYCOTT GUIDELINES "DO NOT GO BEYOND PRESENT LEGAL GUIDELINES." ACTION REQUESTED: OPIC SHOULD CONTACT CITIBANK VP CLIFFORD O'SHEA IN NEW YORK ONCE DECISION BY OPIC HAS BEEN REACHED

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REGARDING BOYCOTT REQUIREMENTS.

4. OPIC OFFICER HAD USEFUL MEETINGS WITH REPS OF SEVERAL OTHER U.S.-OWNED BANKS OPERATING IN CAIRO, INCLUDING MANUFACTURERS HANOVER, INDUSTRIAL NATIONAL BANK OF RHODE ISLAND AND AMERICAN EXPRESS MIDDLE EAST DEVELOPMENT COMPANY. ACTION REQUESTED: OPIC SHOULD FORWARD NEW DESCRIPTION OF LENDER'S CONTRACT TO EMBASSY CAIRO FOR DISTRIBUTION TO U. S. BANKS OPERATING IN EGYPT.

5. MET WITH PRINCIPALS OF ARAB ALUMINUM COMPANY, A LAW-43 FIRM ESTABLISHED WITH U. S. PARTICIPATION, WHICH OPERATES AN ALUMINUM CASTING AND EXTRUSION PLANT IN EGYPT. FIRM PRINCIPALS REQUESTED A MEETING WITH PHILIP MCCALLUM DURING AGRIBUSINESS COUNCIL MISSION TO CAIRO . FEBRUARY 23 -MARCH 8 IN ORDER TO DISCUSS FINANCING FOR A NEW PROJECT INVOLVING FABRICATION OF ALUMINUM DOORS AND WINDOWS. IF SCHEDULE PERMITS, EMBASSY WILL ARRANGE MEETING BETWEEN MCCALLUM AND ARAB ALUMINUM MANAGING DIRECTOR LOHARA.

6. MEETING WITH GLENN R. TAYLOR, VP OF AMOCO EGYPT,

PROVIDED INSIGHT INTO A MAJOR OIL COMPANY'S ASSESSMENT OF POLITICAL RISK IN EGYPT FOR EXPLORATION AND PRODUCTION.

7. MEETING WITH WILLIAM MILLER, INTERNATIONAL COUNSEL FOR XEROX CORPORATION, INVOLVED DISCUSSION OF EXTENT OF

OPIC LIABILITY WHEN A FIRST TIER INVESTOR CHANNELS ITS INVESTMENT THROUGH A SECOND TIER SUBSIDIARY WHICH IN TURN PASSES IT ON TO A THIRD TIER SUBSIDIARY. MILLER IS ANXIOUS TO GET OPIC INSURANCE, BUT PROJECT APPEARS TO HINGE ON COMPANY'S REMOVAL FROM ARAB BOYCOTT LIST.

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8. PROJECT FOLLOW-UP: (1) SQUIBB MIDDLE EAST S.A. - THOMAS CONROY, MANAGER, PROVIDED TOUR OF PLANT, WHICH IS 65 PER CENT COMPLETED. CONROY IS CONFIDENT THAT LOW-LEVEL PRODUCTION FOR INDIGENOUS PHARMACEUTICAL NEEDS WILL COMMENCE WITHIN 9 MONTHS. THE PLANT WILL EMPLOY TWO EXPATRIATES AND 121 LOCAL NATIONALS. FACILITIES TO BE PROVIDED FOR LOCAL WORKERS ARE BASED ON WESTERN STANDARDS. (2) SUEZ ELECTRONICS, S.A.E. - PETER MAINWARING, MANAGER, TOLD OPIC OFFICER THAT COMPANY HAD INITIALLY PROJECTED A DEFICIT OF \$204,000 FOR FIRST YEAR OPERATIONS. YEAR END FIGURES, HOWEVER, YIELDED A PROFIT OF \$60,000, NET OF ALL PRE-OPERATING EXPENSES.

9. OPIC OFFICER, ACCOMPANIED BY EMBASSY OFFICER, CALLED ON IBRAHIM A.F. RADWAN, GENERAL MANAGER, EGYPTIAN GENERAL PETROLEUM CORPORATION. RADWAN IS AN EXPERT ON PETROLEUM AGREEMENTS. HE RESPONDED FRANKLY TO QUESTIONS REGARDING SPECIFIC CONCESSION AND PRODUCTION AGREEMENTS, AND ALSO PROVIDED AN OVERVIEW OF LIMITED OFFICIAL USE

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EGYPTIAN OIL POLICY.

10. MET WITH COY SQUIRES, PRESIDENT OF CONOCO EGYPT. CONOCO, AS A PARTNER IN A JOINT VENTURE WITH MARATHAN OIL COMPANY, WAS TO SIGN A CONCESSION AGREEMENT IN THE SINAI (NOTE: AGREEMENT SIGNED FEBRUARY 20). MARATHON HAS ALREADY REGISTERED WITH OPIC. SQUIRES REMARKED THAT ' HE WAS NOT AWARE OF OPIC'S OIL INSURANCE AND WISHED TO REGISTER FOR CONOCO. BAZARIAN LEFT REGISTRATION FORM. SQUIRES WILL TELEX COMPANY HEADQUARTERS TO GIVE NOTIFICATION OF HIS INTENTION TO REGISTER. ACTION REQUESTED: MIDDLETON SHOULD CONTACT CONOCO HEADQUARTERS TO EXPLAIN DETAILS OF POLICY AND TO ASCERTAIN WHETHER CONOCO IS INDEED INTERESTED IN INSURANCE.

11. OPIC OFFICER MET WITH HENRI BOUTIN, MANAGER OF CAIRO PROPERTIES, A FIRM WITH FOLLOWING OWNERSHIP: UNIVERSITY EDUCATIONAL ENDOWMENT FUND, 47 PER CENT; ALCHARK INSURANCE CO. (GOE PUBLIC SECTOR FIRM) 13 PER CENT; ARAB INVESTMENT CO., 40 PER CENT. TOTAL CAPITAL IS APPROXIMATELY LE 10.5 MILLION. CAIRO PROPERTIES INVESTS IN REAL ESTATE DEVELOPMENT--COMMERCIAL BUILDINGS AND INDUSTRIAL PROPERTIES. OBJECTIVE OF ENDOWMENT FUND IS TO PROVIDE REASONABLE INVESTMENT RETURN FOR AMERICAN UNIVERSITY IN CAIRO. FUND WOULD BE WILLING TO BE A SOURCE OF LOCAL CAPITAL FOR U. S. INVESTORS WITH COMMERCIALLY VIABLE PROJECTS. EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRAVEL REPORTS, VISITS, CONSULTANTS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO05945
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780085-0868
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780218/aaaaapap.tel
Line Count: 208
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b9d938d0-c288-dd11-92da-001cc4696bcc
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3492169
Secure: OPEN
Status: NATIVE
Subject: OPIC TRIP REPORT: BAZARIAN TRIP TO LONDON AND CAIRO
TAGS: EINV, EG, OPIC
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b9d938d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014